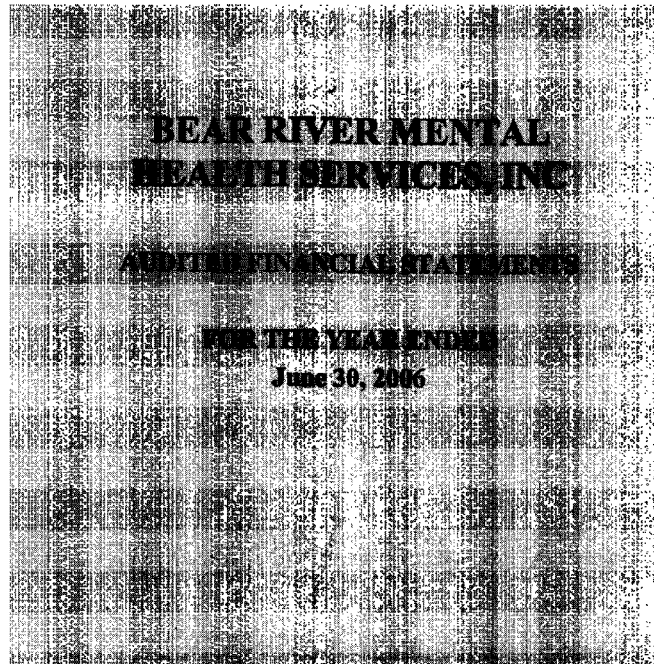




Peterson
Allred
Jackson



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INTRODUCTORY SECTION



October 16, 2006

Utah State Auditor
211 State Capitol
Salt Lake City, Utah 84114

To Whom It May Concern:

The financial statement report of Bear River Mental Health Services, Inc., a nonprofit organization (the Center), for the fiscal year ended June 30, 2006, is submitted herewith. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Center. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Center. All disclosures necessary to enable the reader to gain an understanding of the Center's financial activities have been included.

The financial report is presented in three sections: introductory, financial, and supplemental. The introductory section includes this transmittal letter and a list of principal officials. The financial section includes the auditor's report and the 2005-2006 financial statements. The supplemental section includes a comparative detail statement, the auditor's reports in accordance with government auditing standards, and the State of Utah auditor's report on legal compliance.

The Center contracts with the State of Utah which dictates that programs be considered for compliance with the requirements governing types of services. Management of the Center is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Center are protected from loss, theft, or misuse; and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America.

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state, and county financial assistance, the Center also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by management. As demonstrated by the statements and schedules included in the financial section of this report, the Center continues to meet its responsibility for sound financial management.

The preparation of the financial statements and supplemental information was made possible by the dedicated service of the Bear River Staff who assisted with the audit process. Additionally, the excellent work accomplished by the staff from the firm of Peterson Allred Jackson made this an extremely useful review and summary for management purposes.

Due credit also should be given to the governing board of the Center for their interest and support in planning and conducting the operations in a responsible and progressive manner.

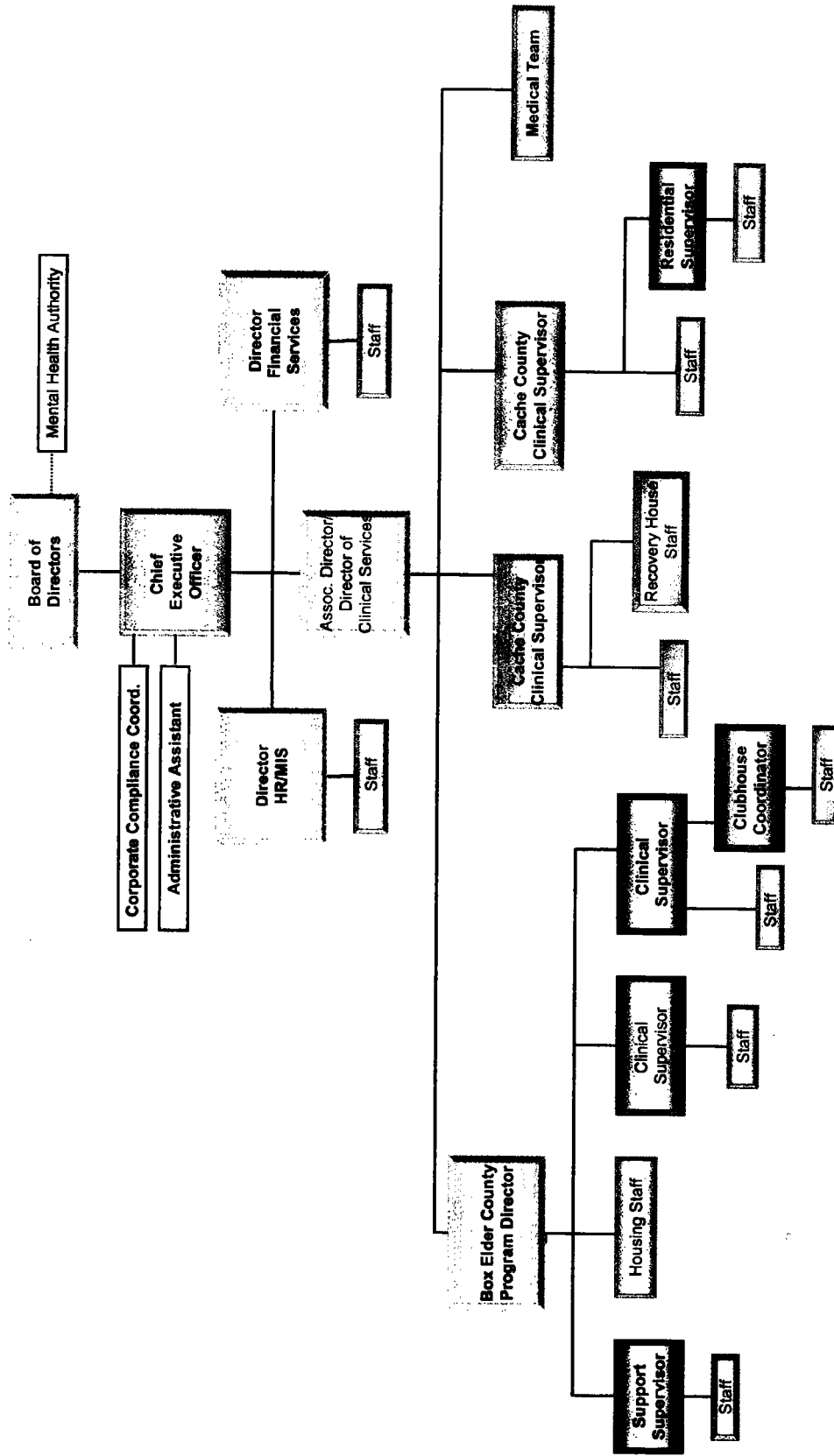
Respectfully submitted,

A handwritten signature in cursive script, reading "Mick Pattinson".

Mick Pattinson, Ph.D.
President/CEO

Bear River Mental Health - Organizational Chart

effective 6/30/06



10/27/2006

Bear River Mental Health Services, Inc.
List of Principal Officials
June 30, 2006

Executive Committee:

President/CEO
Associate Director/Director of Clinical Services
Director of HR/MIS
Director of Financial Services
Box Elder County Program Director

Mick Pattinson
Susan Seiler
Beth A. Smith
Robert B. Johnson
Tim Frost

Board of Directors:

Chair
Vice Chairman
Member
Member
Member
Member
Member
Member
Member

Steve Stowers
Scott Wyatt
Steve Vincent
Blaine Mauchley
Mike Miller
Lynn Lemon
Suzanne Rees
William Cox
Rhonda Menlove

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Bear River Mental Health Services, Inc.

We have audited the accompanying statement of financial position of Bear River Mental Health Services, Inc., a nonprofit organization (the Center), as of June 30, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bear River Mental Health Services, Inc. as of June 30, 2006, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

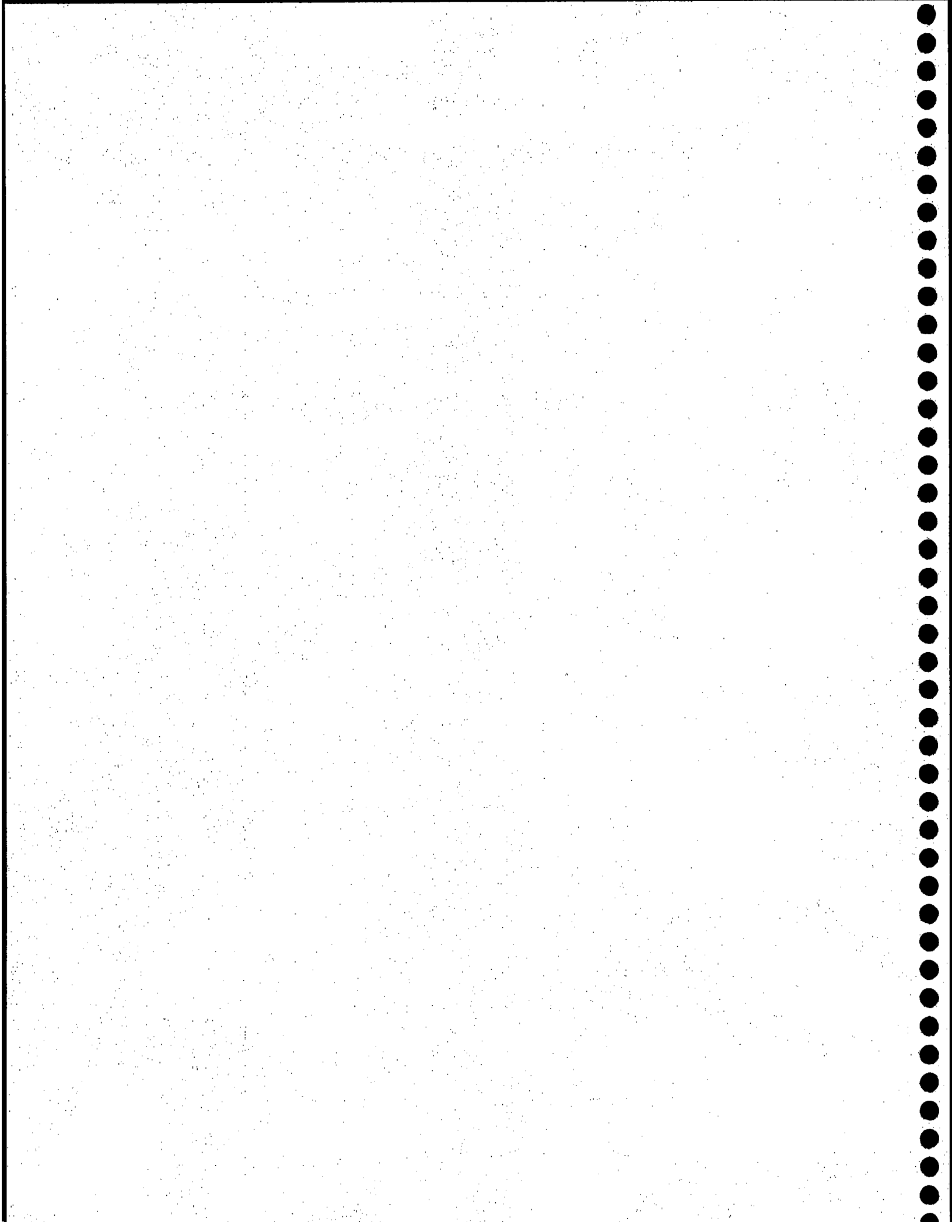
In accordance with Government Auditing Standards, we have also issued our report dated October 16, 2006, on our consideration of Bear River Mental Health Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying detail statement of activities listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peterson Allred Jackson

October 16, 2006

2100 North Main, North Logan, Utah 84341
435-752-6441
FAX: 752-6451



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BEAR RIVER MENTAL HEALTH SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006

	June 30, 2006	Memorandum Only June 30, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,332,607	\$ 3,971,869
Accounts receivable	2,045,836	1,295,074
Prepaid expenses and other assets	156,984	152,946
Total current assets	<u>7,535,427</u>	<u>5,419,889</u>
Fixed assets:		
Land, buildings, and equipment	5,284,311	5,284,311
Accumulated depreciation	(2,244,522)	(2,051,430)
Total fixed assets	<u>3,039,789</u>	<u>3,232,881</u>
 TOTAL ASSETS	 <u>\$ 10,575,216</u>	 <u>\$ 8,652,770</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 1,756,963	\$ 680,842
Accrued liabilities	356,163	319,953
Unexpended county funds	115,052	96,676
Medicaid match payable	1,216,545	790,851
Other current liabilities	1,370	1,540
Total current liabilities	<u>3,446,093</u>	<u>1,889,862</u>
Long-term liabilities:		
Mortgage payable	309,935	309,935
Total liabilities	<u>3,756,028</u>	<u>2,199,797</u>
Net assets:		
Unrestricted	<u>6,819,188</u>	<u>6,452,973</u>
Total net assets	<u>6,819,188</u>	<u>6,452,973</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 10,575,216</u>	 <u>\$ 8,652,770</u>

The independent auditor's report and notes to the financial statements are integral parts of these financial statements.

BEAR RIVER HEALTH SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

	June 30, 2006	Memorandum Only June 30, 2005
Government support and revenues:		
Government support:		
Federal	\$ 145,200	\$ 157,761
State	1,561,120	1,468,280
County	256,560	258,800
Private support:		
Donations	28	26
Total support	<u>1,962,908</u>	<u>1,884,867</u>
Revenues:		
Medicaid (net)	3,523,018	4,099,183
Service fees	580,574	503,248
Interest income	206,474	71,937
Client living fees	55,846	67,416
Miscellaneous income	<u>11,105</u>	<u>13,263</u>
Total revenue	<u>4,377,017</u>	<u>4,755,047</u>
 TOTAL GOVERNMENT SUPPORT AND REVENUES	 <u>6,339,925</u>	 <u>6,639,914</u>
Expenses:		
Administration	1,045,884	940,034
Out patient	2,413,780	2,273,383
Children's intensive	1,076,741	1,169,787
Adult intensive	<u>1,437,305</u>	<u>1,546,763</u>
TOTAL EXPENSES	5,973,710	5,929,967
Other revenue & expenses		
Loss (gain) on sale of assets	<u>-</u>	<u>-</u>
TOTAL EXPENSES & OTHER REVENUE/EXPENSES	<u>5,973,710</u>	<u>5,929,967</u>
Changes in unrestricted net assets	366,215	709,947
Net assets at beginning of year	<u>6,452,973</u>	<u>5,743,026</u>
Net assets at end of year	<u>\$ 6,819,188</u>	<u>\$ 6,452,973</u>

The independent auditor's report and notes to the financial statements are integral parts of these financial statements.

BEAR RIVER MENTAL HEALTH SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Administration</u>	<u>Out patient</u>	<u>Children's intensive</u>	<u>Adult intensive</u>
Personnel	\$ 867,336	\$ 2,041,775	\$ 857,932	\$ 706,932
Travel/auto	22,582	33,238	28,107	22,099
Office maintenance	8,467	18,732	12,245	11,410
Occupancy	20,667	91,122	78,431	150,527
Professional	15,632	51,552	136	404,116
Staff support	60,889	21,126	9,030	7,880
Data processing	30,268	79,408	29,975	20,265
Program activities	-	3,922	4,144	50,169
Depreciation	14,739	61,554	54,185	62,614
Other	<u>5,304</u>	<u>11,351</u>	<u>2,556</u>	<u>1,293</u>
 TOTAL EXPENSES	 <u>\$ 1,045,884</u>	 <u>\$ 2,413,780</u>	 <u>\$ 1,076,741</u>	 <u>\$ 1,437,305</u>

The independent auditor's report and notes to the financial statements are integral parts of these financial statements

<u>June 30, 2006</u>	Memorandum only <u>June 30, 2005</u>
\$ 4,473,975	\$ 4,482,724
106,026	84,692
50,854	36,021
340,747	292,100
471,436	552,394
98,925	109,964
159,916	107,460
58,235	50,795
193,092	197,935
<u>20,504</u>	<u>15,882</u>
<u><u>\$ 5,973,710</u></u>	<u><u>\$ 5,929,967</u></u>

BEAR RIVER MENTAL HEALTH SERVICES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

	June 30, 2006	Memorandum Only June 30, 2005
Cash flows from operating activities:		
Change in net assets	\$ 366,215	\$ 709,947
Add (deduct) items not affecting cash:		
Depreciation	193,092	197,935
(Increase) decrease in receivables	(750,762)	(258,785)
(Increase) decrease in prepaid and other assets	(4,038)	9,129
Increase (decrease) in payables	1,076,121	(61,416)
Increase (decrease) in accrued liabilities	36,040	(1,346)
Increase (decrease) in deferred revenue	-	(309,215)
Increase (decrease) in unexpended county funds	18,376	14,813
Increase (decrease) in Medicaid match payable	425,694	154,531
Loss on sale of assets	-	-
Net cash provided by operating activities	<u>1,360,738</u>	<u>455,593</u>
Cash flows from investing activities:		
Purchase of land, building, CIP, and equipment	-	-
Net cash provided (used) by investing activities	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,360,738	455,593
Cash and cash equivalents at beginning of year	<u>3,971,869</u>	<u>3,516,276</u>
Cash and cash equivalents at end of year	<u>\$ 5,332,607</u>	<u>\$ 3,971,869</u>
Supplemental Disclosures:		
Cash paid for interest	<u>\$ 0</u>	<u>\$ 0</u>

The independent auditor's report and accompanying notes are integral parts of these financial statements.

BEAR RIVER MENTAL HEALTH SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2006

Note 1: Summary of significant accounting policies

Business activity. Bear River Mental Health Services, Inc., (the Center), is a non-profit organization whose purpose is to provide mental health services to residents of Cache, Rich, and Box Elder Counties. The Center was incorporated as a nonprofit organization on January 1, 1984. Prior to incorporation, mental health services were performed through a tri-county governmental association. The Center receives funding for its programs from various federal, state, and local sources. In addition, the Center receives Medicaid reimbursement for eligible patients on a capitation basis. The Center has facilities in Logan, Brigham City, and Tremonton, Utah with satellite offices in Randolph and Garden City, Utah.

The Center is an exempt organization for federal income tax purposes under Section 501(c)(3) of the internal revenue code and has been classified as other than a private foundation.

Program objectives: The Center provides comprehensive mental health services to clients including: psycho-social rehabilitation, residential services, inpatient services, individual therapy, group therapy, psychological testing, medication management, etc. These services are provided for individuals who are eligible for Utah State Medicaid, the portion of the population that meets the State of Utah's definition for seriously and persistently mentally ill adults or seriously emotionally disturbed children and adolescents, or those individuals in psychiatric crisis or in need of inpatient hospitalization.

Basis of accounting: Bear River Mental Health Services, Inc. utilizes the accrual basis of accounting.

Service fee revenue

Revenues earned from service fees provided under third-party reimbursement and private pay arrangements are recognized on a cash basis due to the uncertainty of the timing and amount of collection. As this treatment has an immaterial affect on the financial statements, and due to the uncertainty of collection, which is not susceptible to reasonable estimation by management, the Center's treatment is deemed to conform with generally accepted accounting principles.

Fixed assets

Fixed assets are stated at historical cost. All capital items greater than \$5,000 are classified as capitalized assets. Donated fixed assets are valued at their estimated fair market value on the date donated. A physical inventory of fixed assets was taken at June 30, 2002 and adjustments made to the books to reflect the results. Estimated costs were used when actual costs were not available. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, as follows:

Buildings	25 years
Furniture and fixtures	5-10 years
Equipment	3-10 years
Automobiles	5 years

Deposits

Bear River Mental Health Services, Inc. collects refundable deposits for certain monthly living accommodations provided to eligible patients. This liability represents amounts received and held as of June 30, 2006.

Accrued compensated absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available resources and paid upon termination has been accrued. Also included is the post retirement benefit for unused sick leave that is expected to be paid for health insurance premiums after retirement.

Statement of Cash Flows

For the purpose of the Statement of Cash Flows, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Income taxes

The Center is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Center has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for fiscal year 2006.

Note 2: Cash and cash equivalents

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Center's deposits may not be recovered. The Center follows the Utah Money Management Act. The Act requires all deposits of the entity to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$142,042 of the Center's bank balances of \$375,735 were covered by federal depository insurance (FDIC) and \$233,693 is covered by pledged securities through Cache Valley Bank.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Center's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The Center is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the Center had investments of \$5,095,711 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Center manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Note 3: Accounts receivable

Accounts receivable represent grants and contracted support from federal, state, and local governments due to the Center at June 30, 2006, for fiscal year 2006 contracts as follows:

Grants:	
Federal	\$ 145,200
State	1,492,762
Counties:	
Cache	178,553
Rich	5,000
Box Elder	<u>91,383</u>
Total grants	<u>1,912,898</u>
Other:	
Title XIX	121,285
Sales tax	3,278
Miscellaneous	<u>8,375</u>
Total other	<u>132,938</u>
Total accounts receivable	<u>\$ 2,045,836</u>

The Title XIX premiums receivable is offset by a 28.9% match of funds, which is required to be reimbursed to Medicaid, and included in Medicaid Match Payable.

Note 4: Other assets

Bear River Mental Health Services, Inc. joined an association to provide liability insurance coverage in 1984. The association required that stock be purchased in a corporation by all mental health centers participating in the insurance plan. Forty shares of class "C" common stock were issued to the Center on January 12, 1988, in consideration of \$20,000 paid as a deposit in 1984. The market value of this investment is not available due to the nature of the corporation.

The Center has liability insurance, which has been prepaid totaling \$38,833. This amount will continue to be allocated to expense. Prepaid rent and other miscellaneous prepaids of \$1,800 were recorded as of June 30, 2006.

The Center entered into an agreement with Utah Non-Profit Housing Corporation to own 1/2% of Bear River Valley Mental Health, LLC. The Center donated land with a historical cost of \$96,351 to the LLC for the ownership interest.

Note 5: Fixed assets

Fixed asset activity for the year ended June 30, 2006, is as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Land	\$ 457,429	\$	\$	\$ 457,429
Buildings	4,473,944			4,473,944
Equipment and furnishings	<u>352,938</u>	<u></u>	<u></u>	<u>352,938</u>
Total assets	5,284,311			5,284,311
Accumulated depreciation	<u>(2,051,430)</u>	<u>(193,092)</u>	<u></u>	<u>(2,244,522)</u>
Total net assets	<u>\$ 3,232,881</u>	<u>\$ (193,092)</u>	<u>\$</u>	<u>\$ 3,039,789</u>

Note 6: Accounts payable/accrued liabilities

Accounts payable and accrued liabilities consist of amounts incurred and due at June 30, 2006, which have not yet been paid as follows:

Accounts payable:

Salaries payable	\$ 206,343
Tax withholdings payable	81,687
Account payable	<u>1,468,933</u>

Total accounts payable	<u>1,756,963</u>
------------------------	------------------

Accrued compensated absences	<u>356,163</u>
------------------------------	----------------

Total accrued liabilities	<u>356,163</u>
---------------------------	----------------

Total accounts payable/accrued liabilities	<u>\$2,113,126</u>
--	--------------------

Note 7: Unrestricted/net assets

The Board of Directors has appropriated an amount to be set aside for normal operations of the Center. The operating appropriation has been calculated at 120 days of expenditures, based on 2005-2006 fiscal year expenses.

Net investment in fixed assets represents the amount of assets held at year-end. The fixed asset appropriation has been appropriated for the future acquisition of fixed assets.

Operating appropriation	\$ 1,963,960
Net investment in fixed assets	3,039,789
Fixed asset appropriation	<u>1,815,439</u>

Total unrestricted net assets	<u>\$ 6,819,188</u>
-------------------------------	---------------------

Note 8: Defined benefit pension plan

Plan Description. Bear River Mental Health Services, Inc. (the Center) contributes to the Local Governmental Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, and death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49), as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. In the Local Governmental Noncontributory Retirement System the Center is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The Center's contributions to the Noncontributory Retirement System for June 30, 2006, 2005, and 2004 were \$283,459, \$279,261, and \$245,304, respectively. The contributions were equal to the required contributions for each year.

Note 9: Defined contribution plan (or 401(k) plan)

The Center provides supplemental pension benefits for all of its full-time employees through a defined contribution Section 401(k) plan. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The Board of Directors authorizes the Center to contribute 13.5% of the employee's base salary into the plan, reduced by amounts paid to the noncontributory system. Employee contributions are optional within prescribed limits. The Center's contributions for each employee (and interest allocated to the employee's account) are fully vested upon deposit into the plan. The Center made contributions totaling \$124,557. Employees made \$92,889 in optional contributions.

Note 10: 457 Plan and Roth IRA

The Center also offers its employees deferred compensation plans created in accordance with Internal Revenue Service Code. The plans, available to all full-time employees, permits them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participating. Employee contributions to the Section 457 plan totaled \$30,829 and the Roth IRA plan totaled \$3,583 and the Center contributed \$0 to both plans.

Note 11: Postretirement benefits

Bear River Mental Health, Inc. provides a postretirement benefit election calculated from an employee's earned but unused sick leave accrual at retirement from employment after a minimum of 10 years service. The amount contributes to health insurance (or Medicare supplements at age 65) over the remaining life of the employee. At the balance sheet date the Center is obligated for \$18,781. This amount is classified as accrued liabilities.

Note 12: Cafeteria plan

Bear River Mental Health Services, Inc. has set up a cafeteria plan to enable employees to have amounts excluded from their income under section 125(a) and other applicable sections of the Internal Revenue Service code of 1986, as amended. The plan is to provide contributions from the employees to cover benefits paid. The plan is administered by an independent agency, with assets maintained in separate bank accounts.

Note 13: Leases

The Center leases office space in Tremonton. The Tremonton lease is classified as an operating lease terminating May 1, 2009.

The future minimum lease payments for the next three fiscal years are as follows:

June 30, 2007	\$ 30,600
June 30, 2008	30,600
June 30, 2009	<u>25,500</u>

TOTAL	<u>\$ 86,700</u>
-------	------------------

Note 14: Mortgage payable

The Center purchased a building in Brigham City to use in their mental health services. This purchase was made with loan proceeds available from the Department of Housing and Urban Development (HUD) through the State of Utah Housing Trust Fund. Repayment of the loan is to be made through a cash flow mortgage at 0% interest. Payments are required quarterly based on 80% of the net cash revenue generated by the facility. The amount due at June 30, 2006 was \$309,935, which was for the purchase and renovation of the building. The entire note has been listed as long-term because net cash revenues from the facility cannot be projected. There is no deadline for repayment of the note.

Note 15: Memorandum totals

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to consolidation.

SUPPLEMENTAL SECTION

BEAR RIVER MENTAL HEALTH SERVICES, INC.
 DETAIL STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2006 AND 2005

	<u>MEMORANDUM TOTALS ONLY</u>	
	<u>June 30,</u> <u>2006</u>	<u>June 30,</u> <u>2005</u>
Revenues:		
State operating grant	\$ 1,081,200	\$ 1,090,600
State children's grant	201,600	203,400
County match	256,560	258,800
Federal block grant	135,200	131,700
Data processing improvement	10,000	-
24-hr. residential grant	71,715	77,508
Community outplacement grant	45,420	54,960
ACOT	8,858	11,582
Family preservation grant	-	3,364
PASRR	34,230	30,230
State Medicaid replacement	118,097	-
Child wrap around	-	22,697
	<hr/>	<hr/>
TOTAL GRANTS	1,962,880	1,884,841
	<hr/>	<hr/>
Juvenile court	-	-
Title XIX- Medicaid (net)	3,523,018	4,099,183
	<hr/>	<hr/>
TOTAL CONTRACT FEES	3,523,018	4,099,183
	<hr/>	<hr/>
Personal payment	119,130	156,027
Debt recovery	8,336	8,073
Insurance	197,805	214,948
Medicare	161,492	77,330
	<hr/>	<hr/>
TOTAL CLIENT FEES	486,763	456,378
	<hr/>	<hr/>
Consulting fees	55,933	46,870
Donations	28	26
Interest income	206,474	71,937
Miscellaneous	480	1,386
Semi-independent living fees	40,424	52,607
24-hour supervised living fees	15,422	14,809
DT Lunch Program	10,625	11,877
Rainbow club/New Discovery	37,878	-
Gain on sale of assets	-	-
	<hr/>	<hr/>
TOTAL OTHER REVENUES	367,264	199,512
	<hr/>	<hr/>
TOTAL REVENUES	6,339,925	6,639,914
	<hr/>	<hr/>

Expenses:

Salaries	3,195,131	3,257,116
Employee benefits	1,260,792	1,207,010

TOTAL PERSONNEL	4,455,923	4,464,126
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Travel- in state	59,802	50,246
Travel- out state	13,972	2,070

TOTAL TRAVEL	73,774	52,316
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Office supplies	28,137	14,922
Postage	10,338	9,132
Printing and publications	8,892	10,378
Maintenance	3,487	1,589

TOTAL OFFICE MAINTENANCE	50,854	36,021
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Rent	33,550	33,219
Utilities	95,804	85,851
Telephone	50,094	44,814
Insurance	32,672	32,201
Janitorial	44,849	46,710
Maintenance	83,778	49,305

TOTAL OCCUPANCY	340,747	292,100
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Contract services	489,488	570,992
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TOTAL PROFESSIONAL SERVICES	489,488	570,992
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Books and journals	459	1,191
License and memberships	12,851	14,090
Education and training	47,735	57,681
Liability insurance	37,880	37,002

TOTAL STAFF SUPPORT	98,925	109,964
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Materials	3,280	1,627
Medical supplies	866	636

TOTAL PROFESSIONAL SUPPLIES	4,146	2,263
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Patient activities	54,089	48,532
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TOTAL TRANSITIONAL	54,089	48,532
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Data processing services	27,430	39,910
Data processing supplies/equipment	92,765	47,554
Data processing maintenance	<u>39,721</u>	<u>19,996</u>
TOTAL DATA PROCESSING	<u>159,916</u>	<u>107,460</u>
Gas and oil	10,923	10,220
Maintenance	10,154	10,795
Insurance	<u>11,175</u>	<u>11,361</u>
TOTAL AUTO EXPENSE	<u>32,252</u>	<u>32,376</u>
Advertising	16,363	12,494
Miscellaneous	1,705	1,497
Board of directors	2,436	1,891
Loss on sale of assets	<u>-</u>	<u>-</u>
TOTAL OTHER EXPENSES	<u>20,504</u>	<u>15,882</u>
Building	-	-
Land	-	-
Automobiles	-	-
Equipment	-	-
CIP	<u>-</u>	<u>-</u>
TOTAL CAPITAL OUTLAY	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES BEFORE ADJUSTMENT	5,780,618	5,732,032
Less: Total capital outlay	-	-
Plus: Depreciation	<u>193,092</u>	<u>197,935</u>
TOTAL EXPENDITURES	<u>5,973,710</u>	<u>5,929,967</u>
NET INCOME	<u><u>\$ 366,215</u></u>	<u><u>\$ 709,947</u></u>



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

Governing Board
Bear River Mental Health, Incorporated

We have audited the accompanying financial statements of Bear River Mental Health, Incorporated, a nonprofit organization (the Center) as of and for the year ended June 30, 2006, and have issued our report thereon dated October 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the audit committee, management, and various audit agencies and is not intended to be and should not be used by anyone other than those specified parties.

Peterson Alfred Jackson

October 16, 2006



Peterson
Alfred
Jackson

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INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Governing Board
Bear River Mental Health Services, Inc.

We have audited the financial statements of Bear River Mental Health Services, Inc., a nonprofit organization (the Center), as of and for the year ended June 30, 2006, and have issued our report thereon dated October 16, 2006. As part of our audit, we have audited the Center's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The Center received the following major State assistance programs from the State of Utah:

State Mental Health Contract Grants

The Center also received the following nonmajor grants, which are not required to be audited for specific compliance requirements,: (However, these programs were subject to test work as part of the audit of the Center's financial statements.)

Juvenile Court (Administrative Office of the Courts)
Competency Exams
PASRR

The management of the Center is responsible for its compliance with the compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Bear River Mental Health Services, Inc., complied, in all material respects, with the requirements governing types of services allowed or unallowed, eligibility, matching, level of effort, or earmarking; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Peterson Alfred Jackson

October 16, 2006



Peterson
Alfred
Jackson

▪ Certified Public Accountants
Business Consultants

October 16, 2006

Governing Board
Bear River Mental Health Services, Inc.

To the Board:

In planning and performing our audit of the financial statements of Bear River Mental Health Services, Inc., a nonprofit organization (the Center), as of and for the year ended June 30, 2006, we developed the following recommendations concerning certain matters related to the internal control structure (other than "reportable conditions"), compliance issues, and certain other administrative and operating matters. These recommendations resulted from our observations made in connection with our audit of the Center's audited financial statements for the year ended June 30, 2006, and are not based on a special study. Our comments and principal recommendations are summarized below.

PRIOR YEAR FINDING

Finding: *Documentation of authorization.* During our testing of cash disbursements, we noted two instances in which the appropriate personnel did not sign documents.

Recommendation: All documents (invoices and checks) should be reviewed for proper documentation and authorization.

Management response: We will further emphasize to all personnel the importance of proper authorization on all invoices.

Status: All items tested had proper documentation of authorization.

CURRENT YEAR FINDING

Finding: *Billing submission.* The mental health contract specifies that monthly billings be submitted by the 20th of the following month. During the year, five reports were submitted late.

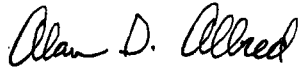
Recommendation: Submit all billings to the State by the 20th of the following month.

Management response: This has very little impact on our business. We will try to be in compliance in the future.

In conclusion, we wish to recognize the Executive Committee, Board of Directors, and Oversight Committee for the excellent supervision given in behalf of Bear River Mental Health Services, Inc. and Robert B. Johnson, Business Manager, who have been most cooperative in assisting us in accomplishing the audit of the 2006 fiscal year. We appreciate the assistance and cooperation of the entire staff of the Center. The performance of the Bear River Mental Health Services, Inc., fiscal year audit has been an enjoyable experience for us and we would like to thank the Center for the opportunity to serve you.

Very truly yours,

PETERSON ALLRED JACKSON

A handwritten signature in cursive script that reads "Alan D. Allred".

Alan D. Allred, CPA